

# Corporate Governance

<http://www.cosmo-oil.co.jp/eng/sustainable/07/gov/index.html>

As we reflect on the refinery accident and series of legal violations, Cosmo Oil is creating a structure to ensure continued stable supplies of energy, placing top priority on safety, while making constant efforts in reforming awareness.

## ► Corporate Governance Structure

### Basic Stance on Corporate Governance

In recognition of our mission as a company and our wide-ranging social responsibilities, we formulated the Cosmo Oil Group Management Vision along with the Cosmo Oil Group Corporate Activity Guidelines (a corporate code of conduct), which are concrete guidelines for realizing the management vision. In keeping with these guidelines, we are striving to maximize stakeholder satisfaction by focusing on “raising management transparency and efficiency,” “rapidly executing business,” and “implementing thorough risk management and compliance” as we work to further improve corporate governance.

### Corporate Governance Structure, Measures, and Implementation Status

The Cosmo Oil Group has adopted the corporate auditor system. Under this system, we have set up the Board of Directors, Executive Officers' Committee, and the Executive Advisory Council for separating three management functions, namely, management decision-making and supervision, execution of business duties, and the evaluation of director performance. Corporate auditors strive to enhance their management supervisory functions by attending meetings of the Board of Directors and Executive Officers' Committee and other important meetings, while outside corporate auditors are utilized to provide external checks. In this manner, we have established a sufficiently functioning structure for supervising Group management. In June 2006, we introduced an executive officer system to further clarify the separation between management supervision and business execution and to respond rapidly to changes in the business environment. Along with the introduction of this system, we established the Officers' Meeting as a sub-organization under the Executive Officers' Committee to more flexibly execute business and to enhance the sharing of information.

## ► Measures toward Internal Control

### Basic Stance on Internal Control

Cosmo Oil is progressing with the establishment of an internal control system, including policies and procedures for executing duties by directors and employees to ensure proper and efficient business execution and to enable all Cosmo Oil Group employees to implement the Cosmo Oil Group Management Vision and the Cosmo Oil Group Corporate Activity Guidelines (a corporate code of conduct). To support this system, we established a framework for risk management and internal audits in addition to systematic measures for ensuring the efficient execution of auditing by corporate auditors.

### Implementation Status of Internal Control System

We established the Cosmo Oil Corporate Ethics Committee, which reports directly to the Board of Directors and is chaired by the president. Assisting this committee is the Cosmo Oil Group Corporate Ethics Promotion Office. The Cosmo Oil Corporate Ethics Committee works to ensure that all corporate activities are conducted with a law-abiding spirit and a sound sense of ethics based on the Cosmo Oil Group Corporate Activity Guidelines (a corporate code of conduct). We also set up the Internal Control Committee, which serves as an advisory committee to the president, as the organization for overseeing the Cosmo Oil Group's overall internal control system. Assisted by the Internal Control Promotion Project Office, the Internal Control Committee is establishing a structure for evaluating and building an internal control system for the Cosmo Oil Group. As organizations under the direct jurisdiction of the Executive Officers' Committee and chaired by related directors, we established the Global Environment Committee, the Comprehensive Safety Action Headquarters Committee, the Human Rights Committee, and the Risk Management Committee. Assisted by various corporate departments, these committees actively carry out an array of highly focused activities throughout the entire Company.

